

Message Text

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PAGE 01 CANBER 02194 241212Z
ACTION EA-12

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FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC 2786
INFO AMCONSUL BRISBANE POUCH
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AMCONSUL SYDNEY

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EO 11652: NA
TAGS: EIND ELAB EGEN EINV AS
SUBJECT: MCDONALDS CLOSES TWO (2) OUTLETS IN CANBERRA; BLAMES
LABOR COSTS

1. MCDONALDS THE FAST FOOD CHAIN WITH SIXTY SEVEN OUTLETS
THROUGHOUT THE COMMONWEALTH OF AUSTRALIA THREW IN THE TOWEL
IN CANBERRA DURING THE PAST WEEK AND CLOSED BOTH OUTLETS.
EACH OUTLET EMPLOYED SEVENTY WORKERS WITH THE TWO YEAR OLD
DIXON OUTLET REPORTING AN ANNUAL TURNOVER OF A DOLS 750,000
AND THE ONE YEAR OLD WESTON CREEK OUTLET REPORTING A TURNOVER
OF A DOLS 450,000.

2. THE CLOSING WAS THE SUBJECT OF EXTENSIVE NEWS COVERAGE
AND WAS INCLUDED IN ABC NEWS BROADCASTS WITH SOMEWHAT
LESS THAN OBJECTIVE COVERAGE OF THE SITUATION FROM THE
MANAGEMENT POINT OF VIEW.

3. THE MEDIA COVERAGE FOCUSED ON THE FACT THAT SOME 140
YOUNG PERSONS WERE PRECIPITATELY THROWN OUT OF WORK AND THAT
THEIR RIGHTS AND INTERESTS WERE OF LITTLE OR NO CONCERN TO
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MANAGEMENT.

4. PETER RITCHIE, AUSTRALIAN GENERAL MANAGER OF MCDONALDS
WHOLLY OWNED U.S. AFFILIATE WITH HQ IN SYDNEY TOLD EMBOFF
THAT THIS IS THE END OF A LONG SAD STORY. TO BEGIN WITH HE
NOTED THAT THE 67 OTHER OUTLETS THROUGHOUT THE COMMONWEALTH
ARE PROFITABLE, HEALTHY AND IN GENERAL ENJOY GOOD LABOR

RELATIONS. INDEED, HE SAID THE SITUATION IN THE A.C.T. IS UNIQUE IN MCDONALDS OPERATIONS IN 26 COUNTRIES WHERE THE PREPONDERANCE OF EMPLOYEES ARE WHAT HE CATEGORIZED AS JUNIORS. IN AUSTRALIA, HE EXPLAINED, THIS MEANS OVER 15 AND UNDER 21 YEARS OF AGE. HE SAID THAT WHEREAS JUNIORS IN OUTLETS IN NEW SOUTH WALES WORK UNDER AWARD IN WHICH THE RETAIL CLERKS UNION CONTRACT OBTAINS, IN THE A.C.T. THEY WORK UNDER AN AWARD FOR RESTAURANT BAR AND LIQUOR STORE WORKERS WHICH THROWS THE EMPLOYEES UNDER THE JURISDICTION OF AN ENTIRELY DIFFERENT UNION WHICH CALLS FOR RATES OF A DOLS 5.80 (US DOLS 6.61) PER HOUR DOUBLE THE NEW SOUTH WALES RATES AND SUBSTANTIALLY MORE THAN RATES ANYWHERE ELSE IN THE WORLD INCLUDING THE UNITED STATES. HE SAID THAT MCDONALDS HAD DONE ITS HOMEWORK WELL PRIOR TO THE ESTABLISHMENT OF THESE OUTLETS AND THAT WHAT MCDONALDS DID NOT COUNT ON WAS THE FACT THAT THE A.C.T. GOVERNMENT WOULD REQUIRE THE DEPARTMENT OF EMPLOYMENT AND INDUSTRIAL RELATIONS TO MAKE A WAGE DETERMINATION OF THE CLASSIFICATION OF THE WORKERS CONCERNED WHEREAS IN ALL OTHER LOCALITIES THEY HAVE DEALT WITH THE DEPARTMENT OF INDUSTRY AND COMMERCE AND THE UNION TO WORK OUT THE AWARD AND THE SUBSEQUENT LABOR CONTRACTS.

5. RITCHIE NOTED FURTHER THAT MCDONALDS HAS 22 OF ITS OUTLETS UNDER FRANCHISE OPERATIONS WITH 19 OF THESE FRANCHISEES BEING AUSTRALIANS AND THREE BEING CANADIANS. LIMITED OFFICIAL USE

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HE SAID THAT WHILE MCDONALDS WAS NOT UNHAPPY WITH THE PUBLICITY CONCERNING THE HIGH WAGES IT HAD HAD TO PAY, IT WAS UNHAPPY THAT THE SITUATION HAD LET TO THE ULTIMATE CLOSING OF THESE OUTLETS. HE SAID THAT THE FIRM HAS BEEN APPROACHED BY INTERESTED FRANCHISEES (AUSTRALIANS) BUT THAT NO FINAL DECISION HAS BEEN MADE AS REGARDS THE NEGOTIATION OF SUCH FRANCHISES AND/OR THE POSSIBILITY OF REOPENING THE OUTLETS IN SUCH CIRCUMSTANCES SINCE THIS MIGHT WELL BE FRAUGHT WITH DIFFICULTIES. COMMENT: MCDONALD'S SPOKESMAN SAID THAT IT HAS HAD IN GENERAL EXCELLENT LABOR RELATIONS AND GOOD ACCEPTANCE IN THE MARKET THROUGHOUT THE COMMONWEALTH AND READS NOTHING IN THE CURRENT SITUATION SUGGESTING THAT THERE MIGHT BE A SPATE OF LABOR PROBLEMS ELSEWHERE. IT SEES THE UNHAPPY END RESULT IN THE A.C.T. TO BE A PURELY LOCAL SITUATION AND NOTHING MORE. ALSTON

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